

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Applications for Consent to)	IB Docket No. 02-11
Transfer Control Filed by)	
)	
BELL ATLANTIC NEW ZEALAND)	
HOLDINGS, INC.)	
)	
And)	
)	
PACIFIC TELECOM, INC.)	
)	
Petition of Pacific Telecom, Inc.)	File No. ISP-PDR-20020411-00013
for Declaratory Ruling Allowing)	
Indirect Foreign Ownership)	

**PETITION OF THE SENATE OF THE COMMONWEALTH OF THE
NORTHERN MARIANA ISLANDS TO DENY,
OR, IN THE ALTERNATIVE, TO DESIGNATE FOR HEARING**

The Application filed by Bell Atlantic New Zealand Holdings, Inc. (“BANZHI”) and Pacific Telecom, Inc. (“Pacific”), to transfer control of Federal Communication Commission (“FCC”) licenses and authorizations held by Micronesian Telecommunications Corporation (“MTC”) and its wholly owned subsidiary GTE Pacifica, should be denied. I am the Chairman of the Senate Committee on Public Utilities, Transportation and Communications and I speak for the CNMI Senate with this submittal.

The Proposed Transaction Should Be Denied Under Section 310 of the 1934 Act

In its Applications, Pacific seeks a ruling from the FCC that indirect foreign ownership of 72.1%, resulting from its acquisition of MTC and its subsidiary GTE Pacifica Inc., is justified under Section 310(b) of the Communications Act of 1934, as amended (“1934 Act”). The Applications seek additional authorization to expand this foreign ownership level to 87.1%.

Section 310(b) prohibits ownership of a radio license by any corporation directly or indirectly controlled by any other corporation of which more than 25% of the stock is

foreign held, absent a waiver from the FCC. 47 U.S.C. § 310(b). The FCC may grant a waiver of the 25% foreign indirect ownership limit upon a demonstration that such would be in the public interest.

There is great concern regarding the almost total foreign ownership. The Senate is firm in its opposition to the foreign ownership of this company. The requested foreign ownership levels of 72.1%, with authority to expand this to 87.1%, are substantial. This alone, particularly in the Post-September 11, 2001 environment, is more than sufficient reason to deny the request.

There Is Doubt Regarding The Ownership, Usage And Operation Of Assets

The nature and scope of the facilities involved in a distant U.S. commonwealth strongly dictates against the requested ruling. MTC's existing telecommunications network is all encompassing, entailing critical sole-source facilities, including monopoly landline local exchange and off-island interexchange facilities, satellite earth station facilities, a submarine cable, wireless services and Internet facilities. Virtually no competitive alternatives to these services and facilities exist, distinguishing it radically from the competitive markets in the mainland U.S. Foreign ownership of these sole-source facilities raises critical national as well as local security issues. In addition there is significant issue regarding the transfer of a major asset, a fiber optic cable between Guam, Saipan, Tinian, and Rota from MTC to Verizon Pacifica and regarding the rates charged for this asset.

In short, authorizing up to 87.1% foreign ownership of the CNMI telecommunications system would yield control over these sole-source facilities to non-U.S. interests. In the event of an international or regional crisis (more foreseeable now than before September 11, 2001), non-U.S. ownership of these critical telecommunications facilities has the potential to jeopardize U.S. national interests.

The Proposed Transaction Would Jeopardize Rate Integration in the CNMI

Section 254(g) of the Communications Act of 1934, as amended, requires long distance telecommunications providers offering service to subscribers in rural and high cost areas (such as the CNMI) to do so at rates no higher than those charged by such providers to their subscribers in urban areas. 47 U.S.C. §254(g).

Rate integration has sharply benefited consumers since being implemented in 1997As a consequence outbound long distance calling rates to the mainland U.S. were substantially reduced. These reductions have benefited CNMI consumers and businesses, and have promoted closer economic and political integration between the CNMI and the mainland U.S. Under the seller's current corporate structure (i.e., that of BANCORP, a Verizon company), the company has substantial operations both in the mainland U.S. and, through MTC and Verizon Pacifica, in the CNMI, facilitating easy rate integration. Indeed, Verizon off-island rates to the mainland U.S. appear to serve as the guiding rate for other

smaller competing carriers offering off-island service to the mainland from the CNMI and Guam.

Under the proposed transaction, Pacific would have no affiliated mainland U.S. operations (it would only operate in the CNMI and, to a more limited extent, in Guam) into which rates could be directly integrated. Were the proposed sale to occur, a risk exists that the current guiding rate would be lost and off-island rates from the CNMI and possibly Guam to the mainland U.S. would fluctuate upwards without restraint. This would threaten the very core of rate integration as mandated by the 1996 Act.

In addition, CNMI law requires that local exchange services, commercial mobile telecommunications services, or advanced telecommunications or information services in the CNMI shall be uniform so as practicable, in a nondiscriminatory manner, at uniform rates throughout the islands **without additional charges** or tolls for services connecting one island to another. Because this requirement has not been complied with in the past, the CNMI must assured of compliance before the FCC approves the petition to transfer the licenses.

The Applications Contain Insufficient Information to Justify Approval

Pacific's Applications on their face fail to provide information showing that Pacific is technically qualified to operate the radio stations involved under the 1934 Act. One of the shareholders, Prospector Investment Holdings, Inc. ("Prospector"), claims to have technical experience through its interest in ISLACOM which provided diverse telecommunications services in the Philippines until 1999. ISLACOM, however, was sold in 1999. Thus, this expertise is no longer possessed by the majority shareholder, Prospector, nor indirectly by the purchaser, Pacific. Moreover, to the extent that any former ISLACOM employees remained with Prospector, telecommunications technology has advanced and changed so rapidly since 1999, that such knowledge would be largely outdated in today's marketplace. Therefore, information showing technical qualification, if it exists, needs to be supplied.

CONCLUSION

For the foregoing reasons, the Commission must deny the Petition and the Applications, or, alternatively, designate the matter for hearing.

Respectfully submitted,

/s/ Diego M. Songao

Chairman
CNMI Senate Committee On Public
Utilities, Transportation and
Communications